

CITY OF ELKADER
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2010

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CITY OF ELKADER
OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2010)		
Robert Garms	Mayor	Jan. 2012
Betty Landis	Mayor Pro tem	Jan. 2010
Daryl Koehn	Council Member	Jan. 2010
Roger Buchholz	Council Member	Jan. 2010
Ken Seney	Council Member	Jan. 2012
Rob Frieden	Council Member	Jan. 2012
Jennifer Cowsert	City Administrator/Clerk	Indefinite
Marla Reimer	Assistant Administrator/ Deputy Clerk	Indefinite
John Gnagy	Attorney	Indefinite
(After December 2009)		
Robert Garms	Mayor	Jan. 2012
Ken Seney	Mayor Pro tem	Jan. 2012
Rob Frieden	Council Member	Jan. 2012
Daryl Koehn	Council Member	Jan. 2014
Roger Buchholz	Council Member	Jan. 2014
Curtis Ruhser	Council Member	Jan. 2014
Jennifer Cowsert	City Administrator/Clerk	Indefinite
Marla Reimer	Assistant Administrator/ Deputy Clerk	Indefinite
John Gnagy	Attorney	Indefinite

Dietz, Donald & Company

CERTIFIED PUBLIC ACCOUNTANTS

STEVEN S. CLAUSEN, CPA

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Elkader, Iowa 52043

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Elkader, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Elkader's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Elkader as of June 30, 2010, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated December 10, 2010 on our consideration of the City of Elkader's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 13 and 30 through 31 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Elkader's basic financial statements. We previously audited in accordance with the standards referred to in the second paragraph of this report the financial statements for the year ended June 30, 2009 (which is not presented herein), which were prepared in conformity with an other comprehensive basis of accounting, expressed qualified opinions since we were unable to satisfy ourselves to the distribution by activity of the cash basis net assets and by fund of the cash balances at July 1, 2008.

Other supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Elkader, Iowa

December 10, 2010

Dietz, Donald & Company
Dietz, Donald & Company, CPAs
FEIN 42-1172392

City of Elkader

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Elkader provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

Receipts of the City's governmental activities increased 31.5%, or approximately \$ 825,000, from fiscal 2009 to fiscal 2010. Property tax increased approximately \$ 35,000 and capital grants increased approximately \$ 950,000.

Disbursements of the City's governmental activities increased 41.4% or approximately \$ 1.029 million in fiscal 2010 from fiscal 2009. Capital projects, public works and debt service disbursements increased approximately \$ 1.023 million, \$ 191,000 and \$ 45,000 respectively.

The City's total cash basis net assets increased 12.9%, or approximately \$ 92,000 from June 30, 2009 to June 30, 2010. Of this amount, the assets of the governmental activities decreased approximately \$ 70,000 and the assets of the business type activities increased approximately \$ 162,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These statements provide information about the activities of the City as a whole and present an overall view of the City's finances.



The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

The City's Reporting Entity Presentation

This annual report includes all activities for which the City of Elkader City Council is fiscally responsible. These activities defined as the City's reporting entity, are operated within a separate legal entity that is the primary government and another separate legal entity that is included as a component unit.

The primary government consists of one legal entity, the City of Elkader.

The component unit presentation consists of one legal entity, the Elkader Public Library Foundation.

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information which helps answer this question.

The Statement of Net Assets presents the City's net assets. Over time, increases and decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities is divided into three kinds of activities:

1. Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
2. Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.
3. Discretely Presented Component Unit consists of the Elkader Public Library Foundation, a legally separate organization that has the potential to provide specific benefits or impose specific financial burdens on the City.

Fund Financial Statements

The City has two kinds of funds:

1. Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: (a) the General Fund, (b) the Special Revenue Funds such as Urban Renewal Tax Increment and Local Option Sales Tax, (c) the Debt Service Fund, (d) the Capital Projects Fund and (e) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The required financial statements for governmental funds are a statement of cash basis assets and fund balances and a statement of cash receipts, disbursements and changes in cash balances.
2. Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the Water and Sewer funds, considered to be major funds of the City.

The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from approximately \$ 454,000 to approximately \$ 383,000. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)

	<u>Years Ended June 30,</u>	
	<u>2010</u>	<u>2009</u>
Receipts		
Program receipts		
Charges for service	\$ 383	311
Operating grants, contributions, and restricted interest	725	885
Capital grants, contributions, and restricted interest	1,050	99
General receipts		
Property tax	733	682
Local option sales tax	101	98
Franchise tax	33	44
Unrestricted interest on investments	8	6
Note and loan proceeds-net	305	305
Other general receipts	93	184
Total receipts	<u>3,431</u>	<u>2,614</u>
Disbursements		
Public safety	996	1,208
Public works	564	373
Health and social services	3	0
Culture and recreation	330	321
Community and economic development	129	157
General government	153	155
Debt service	228	183
Capital projects	1,111	88
Total disbursements	<u>3,514</u>	<u>2,485</u>
Change in cash basis net assets before transfers	(83)	129
Transfers, net	12	5
Change in cash basis net assets	(71)	134
Cash basis net assets beginning of year	454	320
Cash basis net assets end of year	<u>\$ 383</u>	<u>454</u>

The City's total receipts for governmental activities increased 31.3% or approximately \$ 817,000. The total cost of programs and services increased approximately \$ 1.029 million, or 41.4%. Capital project spending increased approximately \$ 1.023 million due primarily to the hazard mitigation, flood buy out. Receipts for 2010 increased due primarily to the financing of this program with federal and state grants of approximately \$ 1.050 million.

City property tax receipts increased approximately \$ 51,000 in 2010. Property taxes are budgeted to increase approximately \$ 32,000 in 2011.

The cost of all governmental activities this year was approximately \$ 3.514 million compared to approximately \$ 2.503 million last year. However, as shown in the Statement of Activities on page 16, the amount taxpayers ultimately financed for these activities was only \$ 1.356 million because some of the cost was paid by those directly benefited from the programs (\$ 383,000) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$ 1.776 million). Overall, in 2010, the City's governmental activities program receipts, including intergovernmental aid and fees for services, increased from approximately \$ 1.295 million to approximately \$ 2.158 million, principally due to receiving more grant proceeds. The City paid for the remaining "public benefit" portion of governmental activities with approximately \$ 867,000 in tax (some of which could only be used for certain programs) and with other receipts, such as note and loan proceeds and other general receipts.

Changes in Cash Basis Net Assets of Business Type Activities
(Expressed in Thousands)

	Year Ended June 30,	
	2010	2009
Receipts		
Program receipts		
Charges for service		
Water	\$ 389	390
Sewer	459	431
General receipts		
Capital grants	428	-
Unrestricted interest on investments	3	8
Note and loan proceeds	3,030	444
Miscellaneous	-	2
Total receipts	4,309	1,275
Disbursements		
Water	449	487
Sewer	3,686	730
Total disbursements	4,135	1,217
Change in cash basis net assets before transfers	174	58
Transfers, net	(12)	(5)
Change in cash basis net assets	162	53
Cash basis net assets beginning of year	256	203
Cash basis net assets end of year	\$ 418	256

Total business type activities receipts for the fiscal year were approximately \$ 4.309 million compared to \$ 1.275 million last year. The significant increase was due primarily to an increase in state revolving loan proceeds of \$ 2.497 million over last year and receipts of \$ 428,000 from a Community Development Block Grant. Total disbursements increased from approximately \$ 1.217 million to approximately \$ 4.135 million because of continued construction work on the wastewater treatment plant.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Elkader completed the year, its governmental funds reported a combined fund balance of \$ 383,440, a decrease of \$ 70,356 from last year's total of \$ 453,796. The following are the major reasons for the changes of the major funds from the prior year.

The General Fund cash balance decreased \$ 44,399 from the prior year to \$ 95,748. This amount approximated the City share of disaster disbursements for 2010.

The Special Revenue, Urban Renewal Tax Increment Fund was established to account for projects within the City's urban renewal districts. At the end of the fiscal year, the cash balance was \$ 44,936, a decrease of \$ 23,822 from the previous year.

The Special Revenue, Local Option Sales Tax Fund was established to account for the use of local option sales tax. At the end of the fiscal year, the cash balance was \$ 98,742, a decrease of \$ 23,375. During the fiscal year ended June 30, 2010, \$ 61,173 was spent on community and economic development and \$ 77,482 was spent on a street project.

The Capital Projects Fund accounted for two projects: the hazard mitigation program or "flood buy-out" and the EMS building project. Of the \$ 1,110,560 disbursed in 2010, all but approximately \$ 46,000 was disbursed in the hazard mitigation program. The fund balance of \$ 42,507 is a result of unspent contributions for the EMS building.

The Permanent Cemetery Perpetual Care Fund has a cash balance of \$ 55,314 at June 30, 2010, an increase of \$ 3,151. A total of \$ 4,219 was spent on cemetery improvement projects during the year.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Water Fund cash balance increased \$ 23,540 to \$ 53,908 due primarily to anticipation loan proceeds of \$ 89,184 which were not totally spent by year end.

The Sewer Fund cash balance increased \$ 138,452 to \$ 364,460 due to an increase in sewer rates, which increased sewer receipts approximately \$ 28,000. Operating receipts exceeded operating disbursements and debt service requirements by \$ 118,238. These accumulations will assist with retirement of the newly acquired debt in connection with construction of the new wastewater treatment plant.

BUDGETARY HIGHLIGHTS

The City's receipts were \$ 1,229,389 less than budgeted, primarily due to the wastewater treatment plant not being completed by June 30, 2010 and less money being borrowed.

Total disbursements were \$ 891,799 less than budgeted, due primarily to not completing the wastewater treatment plant by year end. However, the City exceeded the amounts budgeted in the public safety, public works, culture and recreation, community and economic development, general government and debt service functions.

DEBT ADMINISTRATION

At June 30, 2010, the City had \$ 7,808,875 of long-term debt outstanding, compared to \$ 5,063,157 last year, as shown in the following.

Outstanding Debt at Year-End (Expressed in Thousands)

	June 30, 2010	2009
General obligation bonds	\$ 1,435	1,595
General obligation notes	101	-
Revenue notes	6,207	3,393
Loan payable	66	75
Anticipation loans	273	-
Total	<u>\$ 8,082</u>	<u>5,063</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$ 1,785,481 is less than its constitutional debt limit of nearly \$ 3.0 million. However, the City has outstanding development agreements of \$ 117,968 which brings its constitutional debt to \$ 1,903,449 still less than the \$ 3.0 million debt limit.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Elkader's elected and appointed officials and citizens considered many factors when setting the fiscal year 2011 budget, tax rates and fees that will be charged for various City activities. The City incurred major flood damage in June, 2008. Although most infrastructure damage was paid by federal and state grants, the buyout of approximately 25 homes will negatively impact the City's tax base and water and sewer billings. Over the last 40 years, population has stagnated, decreasing approximately 8% over that time. The City is completing construction on a mechanical wastewater treatment plant which is anticipated to cost approximately \$ 5 million. Although the City is reviewing all possible avenues of financing, certainly there will continue to be upward pressure on water and sewer rates.

These indicators were taken into account when adopting the budget for fiscal year 2011. Amounts available for appropriation in the operating budget are \$ 7.197 million, a decrease of 19.8% from the fiscal 2010 budget. Property taxes are budgeted to increase \$ 50,370. The tax levy rate increased 4.9%. Loan and grants are budgeted to decrease by \$ 1.788 million. Disbursements are budgeted to decrease approximately \$ 1.345 million as the majority of the wastewater treatment plant was completed in 2010. However, the City will construct a new EMS building in 2011.

If these estimates are realized, the City's budgeted cash balance is expected to increase \$ 573 by the close of 2011.

CONTACTING THE CITY'S MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information contact Jennifer Cowser, City Administrator and Clerk, 207 North Main Street, Elkader, Iowa 52043-0427.

BASIC FINANCIAL STATEMENTS

CITY OF ELKADER
STATEMENT OF NET ASSETS - CASH BASIS
June 30, 2010

	Primary Government			Component Unit
	Governmental Activities	Business Type Activities	Total	Elkader Public Library Foundation
ASSETS				
Cash	\$ 383,440	418,368	801,808	37,600
CASH BASIS FUND BALANCES				
Restricted:				
Non expendable:				
Cemetery perpetual care	\$ 55,314	-	55,314	-
Expendable:				
Urban renewal purposes	44,936	-	44,936	-
EMS building	42,507	-	42,507	-
Library	36,856	-	36,856	37,600
Other purposes	118,328	-	118,328	-
Unrestricted	85,499	418,368	503,867	-
Total cash basis fund balances	\$ 383,440	418,368	801,808	37,600

See notes to financial statements.

Exhibit B

CITY OF ELKADER
STATEMENT OF ACTIVITIES - CASH BASIS
For the Year Ended June 30, 2010

Functions/Programs: Governmental activities:	Program Receipts				Net (Disbursements) Receipts and Changes in Cash Basis Net Assets			
	Disbursements	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest		Primary Government Governmental Activities	Business Type Activities	Total	Component Unit Elkader Public Library Foundation
Public safety	\$ 995,992	25,973	581,945	-	(388,074)	-	(388,074)	-
Public works	564,285	171,781	135,896	-	(256,608)	-	(256,608)	-
Health and social services	2,930	-	-	-	(2,930)	-	(2,930)	-
Culture and recreation	330,154	177,717	7,630	-	(144,817)	-	(144,817)	-
Community and economic development	128,497	-	-	-	(128,497)	-	(128,497)	-
General government	153,448	6,729	-	-	(146,719)	-	(146,719)	-
Debt service	228,158	460	-	-	(227,698)	-	(227,698)	-
Capital projects	1,110,360	-	1,050,057	-	(60,493)	-	(60,493)	-
Total governmental activities	3,514,024	382,660	725,461	1,050,057	(1,355,836)	-	(1,355,836)	-
Business type activities:								
Water	449,108	388,978	-	-	-	(60,130)	(60,130)	-
Sewer	3,685,948	458,854	-	-	-	(2,799,279)	(2,799,279)	-
Total business type activities	4,135,056	847,832	-	427,815	(1,355,836)	(2,859,409)	(4,215,245)	-
Total primary government	\$ 7,649,080	1,230,492	725,461	1,477,872	-	-	-	-
Component unit: Elkader Public Library Foundation	\$ 818	-	38,370	-	-	-	-	37,552
General Receipts and Transfers:								
Property and other city tax levied for:								
General purposes					450,540	-	450,540	-
Debt service					95,803	-	95,803	-
Tax increment financing					186,417	-	186,417	-
Local option sales tax					101,009	-	101,009	-
Franchise fee					33,319	-	33,319	-
Unrestricted interest on investments					7,810	3,390	11,200	48
Note proceeds					121,412	2,940,777	3,062,189	-
Anticipation loan proceeds-net					183,847	89,184	273,031	-
Miscellaneous					93,373	-	93,373	-
Transfers					11,950	(11,950)	-	-
Total general receipts and transfers					1,285,480	3,021,401	4,306,881	48
Change in cash basis net assets					(70,356)	161,992	91,636	37,600
Cash basis net assets beginning of year					453,796	256,376	710,172	-
Cash basis net assets end of year					\$ 383,440	418,368	801,808	37,600

See notes to financial statements.

CITY OF ELKADER
BALANCE SHEET - CASH BASIS
June 30, 2010

Exhibit C

ASSETS									
Cash	\$ 95,748	44,936	98,742	42,507	55,314		46,193	383,440	
CASH BASIS FUND BALANCES									
Unreserved, designated:									
Opera house	\$ 24,918	-	-	-	-	-	-	24,918	
Parks	9,753	-	-	-	-	-	-	9,753	
Ambulance	61,896	-	-	-	-	-	-	61,896	
Fire department	2,322	-	-	-	-	-	-	2,322	
Unreserved, undesignated:									
General fund	(3,141)	-	-	-	-	-	-	(3,141)	
Special revenue funds	-	44,936	98,742	-	-	-	50,523	194,201	
Debt service fund	-	-	-	-	-	-	(4,330)	(4,330)	
Capital projects fund	-	-	-	42,507	-	-	-	42,507	
Permanent fund	-	-	-	-	55,314	-	-	55,314	
Total cash basis fund balances	\$ 95,748	44,936	98,742	42,507	55,314		46,193	383,440	

See notes to financial statements.

Exhibit D

CITY OF ELKADER
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
AND CHANGES IN CASH BALANCES
As of and for the Year Ended June 30, 2010

	Special Revenue				Permanent		
	Urban Renewal Tax	Local Option Sales Tax	Capital Projects	Cemetery Perpetual Care	Nonmajor	Total	
Receipts:							
Property tax	\$ 333,464	-	-	-	224,719	558,183	
Tax increment financing	-	186,417	-	-	-	186,417	
Other city tax	33,319	-	101,009	-	-	134,328	
Licenses and permits	5,501	-	-	-	-	5,501	
Use of money and property	17,093	-	-	1,050	1,304	19,447	
Intergovernmental	608,680	-	-	1,170	135,896	1,695,913	
Charges for service	292,788	-	-	-	-	292,788	
Special assessments	460	-	-	-	-	460	
Miscellaneous	100,462	17,646	100,628	5,150	9,536	233,422	
Total receipts	1,391,767	186,417	118,655	1,050,795	7,370	3,126,459	
Disbursements:							
Operating:							
Public safety	967,035	-	-	-	28,957	995,992	
Public works	285,486	-	77,482	-	201,317	564,285	
Health and social services	2,930	-	-	-	-	2,930	
Culture and recreation	268,058	-	-	4,219	57,877	330,154	
Community and economic development	-	67,324	61,173	-	-	128,497	
General government	121,259	-	-	-	32,189	153,448	
Debt service	-	-	-	-	228,158	228,158	
Capital projects	-	-	1,110,560	-	-	1,110,560	
Total disbursements	1,644,768	67,324	138,655	1,110,560	4,219	3,514,024	
Excess (deficiency) of receipts over (under) disbursements	(253,001)	119,093	(20,000)	(59,765)	3,151	(387,565)	
Other financing sources (uses):							
Note proceeds	121,412	-	-	-	-	121,412	
Anticipation loan proceeds	83,815	-	-	818,274	-	902,089	
Anticipation loans redeemed	-	-	-	(718,242)	-	(718,242)	
Operating transfers in	3,375	-	-	-	154,865	158,240	
Operating transfers out	-	(142,915)	(3,375)	-	-	(146,290)	
Total other financing sources (uses)	208,602	(142,915)	(3,375)	100,032	-	317,209	
Net change in cash balances	(44,399)	(23,822)	(23,375)	40,267	3,151	(70,356)	
Cash balance beginning of year	140,147	68,758	122,117	2,240	52,163	453,796	
Cash balance end of year	\$ 95,748	44,936	98,742	42,507	55,314	383,440	

See notes to financial statements.

CITY OF ELKADER
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
As of and for the Year Ended June 30, 2010

	Enterprise		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 388,978	458,854	847,832
Operating disbursements:			
Business type activities	292,935	193,592	486,527
Excess of operating receipts over operating disbursements	96,043	265,262	361,305
Non-operating receipts (disbursements):			
Intergovernmental	-	427,815	427,815
Interest on investments	461	2,929	3,390
Anticipation loan proceeds	89,184	-	89,184
Revenue note proceeds	-	2,940,777	2,940,777
Debt service	(156,173)	(147,024)	(303,197)
Capital projects	-	(3,345,332)	(3,345,332)
Net non-operating receipts (disbursements)	(66,528)	(120,835)	(187,363)
Excess of receipts over disbursements	29,515	144,427	173,942
Operating transfers out	(5,975)	(5,975)	(11,950)
Net change in cash balances	23,540	138,452	161,992
Cash balances beginning of year	30,368	226,008	256,376
Cash balances end of year	\$ 53,908	364,460	418,368
Cash Basis Fund Balances			
Unreserved	\$ 53,908	364,460	418,368

See notes to financial statements.

CITY OF ELKADER

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

(1) Summary of Significant Accounting Policies

The City of Elkader is a political subdivision of the State of Iowa located in Clayton County. It was first incorporated in 1891 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture and recreation, community and economic development, and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Elkader has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits or to impose specific financial burdens on the City. The City has one component unit which meets the Governmental Accounting Standards Board criteria.

Discretely presented component units are separate legal entities that meet the component unit criteria but do not meet the criteria for blending. The component unit that is discretely presented in the City's report is presented below:

<u>Component Unit</u>	<u>Brief Description/Inclusion Criteria</u>
Elkader Public Library Foundation	Created March, 2010 to help promote, develop and finance the Elkader Public

Library. The governing board consists of seven members, including the City Administrator, the Library Director and the President of the Library Board of Directors.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Clayton County Assessor's Conference Board, Clayton County Emergency Management Commission, Clayton County Joint E911 Service Board and Clayton County Economic Development Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and Statement of Activities report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental receipts, are reported separately from business type activities, which rely to a significant extent on fees and charges for service. Activity between the primary government (the City) and the discretely presented component unit (the Elkader Public Library Foundation) are reported as if they are external transactions and are classified separately from internal activities within the primary government.

The Statement of Net Assets presents the City's nonfiduciary net assets. Net assets are reported in three categories:

Nonexpendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements

of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement cost not paid from other funds.

The Special Revenue, Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Special Revenue, Local Option Sales Tax Fund is used to account for local option sales tax collections and to assure that they are disbursed in accordance with voter wishes.

The Capital Projects Fund is used to account for contributions and specific receipts and transfers from other City funds and disbursements for two capital projects (the flood hazard mitigation program and the Emergency Services Building).

The Permanent, Cemetery Perpetual Care Fund is used to account for County funds and lot sales and cemetery improvements.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City of Elkader maintains its financial records on the basis of cash receipts and disbursements and the financial statements

of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, disbursements exceeded the amounts budgeted in the public safety, public works, culture and recreation, community and economic development, general government and debt service functions.

(2) Cash

The City's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City has no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current

budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation bonds and revenue notes are as follows:

Year Ending June 30,	General Obligation Bonds and Notes		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 196,981	64,294	329,000	186,217	525,981	250,511
2012	211,317	57,500	339,000	176,347	550,317	233,847
2013	191,319	49,621	351,000	166,177	542,319	215,798
2014	189,470	42,274	362,000	155,647	551,470	197,921
2015	174,337	32,955	373,000	144,787	547,337	177,742
2016-20	528,010	78,943	2,048,000	548,945	2,576,010	627,888
2021-25	110,000	8,140	2,257,241	221,555	2,367,241	229,695
2026-27	-	-	148,000	6,690	148,000	6,690
Total	\$ 1,601,434	333,727	6,207,241	1,606,365	7,808,675	1,940,092

The December 3, 2008 revenue notes were issued from the State Revolving Fund of the Iowa Finance Authority. At June 30, 2010, the City had \$ 1,855,759 remaining on their \$ 5,5000,000 line of credit with Iowa Finance Authority. During fiscal year 2010, the City's revolving fund loan was revised to include a forgivable loan of \$ 1,667,000 under an ARRA-Capitalization Grant for Clean Water State Revolving Fund. At June 30, 2010, \$ 1,318,508 had been received under this loan. However, forgiveness is not assured until the wastewater treatment plant is completed and compliance with program requirements are assured. Therefore amounts received under this program are included in revenue notes payable under the pre-2010 amortization schedule in these financial statements.

(4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available

financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS; P.O. Box 9117; Des Moines, Iowa 60306-9117.

Most regular plan members are required to contribute 4.30% of their annual covered salary and the City is required to contribute 6.65% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2010 and 2009 were \$ 26,285 and \$ 25,601, respectively, equal to the required contributions for each year.

(5) Other Postemployment Benefits (OPEB)

Plan Description - The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 6 active and no retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$ 833 for family coverage. The same monthly premiums would apply to retirees. For the year ended June 30, 2010, the City contributed \$ 54,562 to the plan.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation, sick leave and personal hours for subsequent use or for payment upon termination, retirement, or death. These accumulations are not recognized by the City until used or paid. The City's approximate liability for earned vacation, sick leave, and personal payments payable to employees at June 30, 2010, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 24,000
Sick leave	18,000
Personal days	3,000
Comp time	<u>1,000</u>
Total	<u>\$ 46,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2010.

(7) Anticipation Loans

Anticipation loans are loans made to the City by a local bank and the Iowa Finance Authority pending finalization of long-term financing.

The City borrowed \$ 818,274 at 3.25% interest per annum, from a local bank for its flood hazard mitigation program. As of June 30, 2010, \$ 718,242 of these advances had been repaid, leaving an unpaid balance at June 30, 2010 of \$ 100,032.

The City borrowed \$ 172,999 interest free from the Iowa Finance Authority for a lift station project and a water system survey. At June 30, 2010, the entire balance of \$ 172,999 was still outstanding.

(8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2010, is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Local Option Sales Tax	\$ <u>3,375</u>
Special Revenue:	Enterprise:	
Employee Benefits	Water	5,975
	Sewer	<u>5,975</u>
		<u>11,950</u>
Debt Service	Special Revenue:	
	Urban Renewal Tax	
	Increment	<u>142,915</u>
Total		<u>\$ 158,240</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(9) Related Party Transactions

The City transferred \$ 30,000 to the Elkader Public Library Foundation, the City's discretely presented component unit during the fiscal year ended June 30, 2010.

(10) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. The City incurred significant damage from the Turkey River flood of June, 2008. To date the City has received federal and state grant money of \$ 1,400,310 to cover expenses incurred because of the flood.

(11) Deficit Balances

The Special Revenue, Road Use Tax and Debt Service Funds had deficit balances of \$ 5,919 and \$ 4,330, respectively, at June 30, 2010. The Road Use Tax deficit will be eliminated with subsequent receipts, while the Debt Service deficit will be eliminated with transfers.

(12) Development Agreements

The City has entered into four development agreements to assist various urban renewal projects.

With the first agreement, the City has agreed to rebate 50% of the incremental tax paid by the developer in exchange for certain public improvements related to the development of a manufacturing facility in the City industrial park made by the developer. The incremental tax to be received by the City under Chapter 403.19 of the Code of Iowa from the developer will be rebated for a period of ten years beginning July 1, 2005. The total to be paid by the City under this agreement is not to exceed \$ 500,000. During the year ended June 30, 2010, the City rebated \$ 58,924 of incremental tax under this agreement. The maximum remaining balance at June 30, 2010, was \$ 117,968.

With the second agreement, the City has agreed to rebate \$ 8,400 annually of the incremental tax paid by the developer in exchange

for certain public improvements related to the development of a campground adjacent to the City park made by the developer. The incremental tax to be received by the City will be rebated for a period of five years beginning July 1, 2005. The total to be paid by the City under this agreement will be \$ 42,000. During the year ended June 30, 2010, the City rebated \$ 8,400 of incremental tax under this agreement. The remaining balance at June 30, 2010 was \$ 0.

With the third agreement, the City has agreed to rebate 50% of the incremental tax paid by the developer in exchange for construction of duplex apartments by the developer on land located in the City. The incremental tax received by the City from the developer will be rebated for a period of three years beginning December 1, 2012 and continuing through and including June 1, 2015.

With the fourth agreement, the City has agreed to rebate 50% of the incremental tax paid by the developer in exchange for the construction of an industrial facility by the developer within the Elkader Urban Renewal Area. The incremental tax to be received by the City under Chapter 403.19 of the Code of Iowa will be rebated for a period of ten years beginning December 1, 2010, and continuing through and including June 1, 2020, or until such earlier date upon which payments equal to \$ 750,000 have been made. The payments shall not constitute a general obligation of the City and shall be subject to annual appropriation of the City Council.

(13) Commitments and Contingencies

Construction Contracts - The City has entered into three construction contracts totaling \$ 4,070,943 for the construction of various water and sewer facilities. As of June 30, 2010, \$ 2,710,599 have been disbursed under these contracts. The balance of \$ 1,360,344 remaining at June 30, 2010 will be paid as work on the projects progresses.

Guaranty Agreement - The City is a co-guarantor with several Elkader businesses on a term loan from the United States Department of Agriculture, Rural Development to a nonprofit organization that provides day care services to the community. The loan is secured by a first mortgage on the real estate owned by the nonprofit organization. This guaranty would require the City to make the required loan payments. As of June 30, 2010, the guaranteed loan balance was \$ 192,500 and the nonprofit organization was current with the required payments.

(14) Subsequent Events

In September 2010, the City entered into construction contracts totaling \$ 373,500 to finance a new emergency services building to be financed by citizen contributions and United States Department of Agriculture (USDA) loans and grants.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ELKADER
BUDGETARY COMPARISON SCHEDULE
OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES-
BUDGET AND ACTUAL (CASH BASIS)-ALL GOVERNMENTAL AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2010

	Governmental Funds	Proprietary Funds	Total	Budgeted Amounts	Budgeted To Total Variance
Receipts:	Actual	Actual			
Property tax	\$ 538,183	-	538,183	522,064	36,119
Tax increment financing	186,417	-	186,417	162,305	24,112
Other city tax	134,328	-	134,328	161,188	(26,860)
Licenses and permits	5,501	-	5,501	6,525	(1,024)
Use of money and property	19,447	3,390	22,837	17,447	5,390
Intergovernmental	1,695,913	427,815	2,123,728	1,631,118	492,610
Charges for service	292,788	847,832	1,140,620	1,183,058	(42,438)
Special assessments	460	-	460	-	460
Miscellaneous	233,422	-	233,422	51,400	182,022
Total receipts	3,126,459	1,279,037	4,405,496	3,735,105	670,391
Disbursements:					
Public safety	995,992	-	995,992	516,676	(479,316)
Public works	564,285	-	564,285	439,061	(125,224)
Health and social services	2,930	-	2,930	2,930	-
Culture and recreation	330,154	-	330,154	269,172	(60,982)
Community and economic development	128,497	-	128,497	69,163	(59,334)
General government	153,448	-	153,448	137,445	(16,003)
Debt service	228,158	-	228,158	203,268	(24,890)
Capital projects	1,110,560	-	1,110,560	1,200,000	89,440
Business type activities	-	4,135,056	4,135,056	5,703,164	1,568,108
Total disbursements	3,514,024	4,135,056	7,649,080	8,540,879	891,799
Deficiency of receipts under disbursements	(387,565)	(2,856,019)	(3,243,584)	(4,805,774)	1,562,190
Other financing sources, net Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	317,209	3,018,011	3,335,220	5,235,000	(1,899,780)
Balances beginning of year	(70,356)	161,992	91,636	429,226	(337,590)
	453,796	256,376	710,172	499,535	210,637
Balances end of year	\$ 383,440	418,368	801,808	928,761	(126,953)

See accompanying independent auditor's report and notes to required supplementary information-budgetary reporting.

CITY OF ELKADER
Notes to Required Supplementary Information-Budgetary Reporting
June 30, 2010

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for government with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. The nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund.

During the year ended June 30, 2010, disbursements exceeded the amounts budgeted in the public safety, public works, culture and recreation, community and economic development, general government and the debt service functions.

OTHER SUPPLEMENTARY INFORMATION

Schedule 1

CITY OF ELKADER
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS
As of and for the Year Ended June 30, 2010

	Special Revenue					Total
	Road Use Tax	Employee Benefits	Library Trust	Debt Service		
Receipts:						
Property tax	\$ -	128,917	-	95,802	-	224,719
Use of property and money	-	-	1,304	-	-	1,304
Intergovernmental	135,896	-	-	-	-	135,896
Miscellaneous	-	7,013	2,523	-	-	9,536
Total receipts	135,896	135,930	3,827	95,802	-	371,455
Disbursements:						
Operating:						
Public safety	-	28,957	-	-	-	28,957
Public works	143,359	57,938	-	-	-	201,317
Culture and recreation	-	26,777	31,100	-	-	57,877
General government	-	32,189	-	-	-	32,189
Debt service	-	-	-	228,158	-	228,158
Total disbursements	143,359	145,881	31,100	228,158	-	548,498
Deficiency of receipts under disbursements	(7,463)	(9,951)	(27,273)	(132,356)	-	(177,043)
Other financing sources:						
Operating transfers in	-	11,950	-	142,915	-	154,865
Net change in cash balances	(7,463)	1,999	(27,273)	10,559	-	(22,178)
Cash balances beginning of year	1,544	17,587	64,129	(14,889)	-	68,371
Cash balances end of year	\$ (5,919)	19,586	36,856	(4,330)	-	46,193
Cash Basis Fund Balances Unreserved:						
Special revenue funds	\$ (5,919)	19,586	36,856	(4,330)	-	50,523
Debt service fund	-	-	-	-	-	(4,330)
Total cash basis fund balances	\$ (5,919)	19,586	36,856	(4,330)	-	46,193

See accompanying independent auditor's report.

CITY OF ELKADER
SCHEDULE OF INDEBTEDNESS
Year Ended June 30, 2010

Schedule 2

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
General obligation bonds:								
2004 TIF refunding	Nov 1, 2004	3.25-4.40%	\$ 1,110,000	965,000	0	105,000	860,000	37,715
2004 Water revenue refunding	Nov 1, 2004	3.25-3.65	170,000	70,000	0	20,000	50,000	2,425
Sewer construction	Aug 1, 2006	4.20-4.95	620,000	560,000	0	35,000	525,000	25,953
				\$ 1,595,000	0	160,000	1,435,000	66,093
General obligation notes:								
Equipment acquisition	Aug 11, 2009	4.75%	100,670	0	100,670	20,134	80,536	3,905
Police car acquisition	May 3, 2010	4.50%	20,742	0	20,542	0	20,542	51
				\$ 0	121,212	20,134	101,078	3,956
Loan payable:								
Clayton County Secondary Roads	May 28, 2008	0%	\$ 93,366	74,693	0	9,337	65,356	0
Revenue notes:								
Water	Mar 8, 2005	3.00%	\$ 1,935,000	1,623,000	0	81,000	1,542,000	48,690
Sewer	Nov 2, 2006	3.00	1,150,000	1,067,000	0	46,000	1,021,000	32,010
Wastewater treatment Plant	Dec 3, 2008	3.00	5,500,000	703,464	2,940,777	0	3,664,241	52,596
				\$ 3,393,464	2,940,777	127,000	6,207,241	133,296
Anticipation loans:								
Hazard mitigation buy out	Various	3.25%	\$ 818,274	0	818,274	718,242	100,032	2,603
Iowa Finance Authority lift station replacement	Sep 25, 2009	0	83,815	0	83,815	0	83,815	0
Water system survey	Nov 15, 2009	0	89,184	0	89,184	0	89,184	0
				\$ 0	991,273	718,242	273,031	2,603

See accompanying independent auditor's report.

CITY OF ELKADER
BOND AND NOTE MATURITIES
June 30, 2010

Schedule 3

Year Ending June 30,	General Obligation Bonds			Total
	Urban Renewal Tax Increment Financing (TIF) Refunding	Water Revenue Refunding	Sewer Construction	
	Issued Nov 1, 2004	Issued Nov 1, 2004	Issued Aug 1, 2006	
Interest Rates	Amount	Interest Rates	Amount	
2011 3.45%	\$ 110,000	3.45%	\$ 25,000	170,000
2012 3.65	115,000	3.65	25,000	175,000
2013 3.80	120,000	-	-	155,000
2014 3.95	120,000	-	-	160,000
2015 4.10	125,000	-	-	165,000
2016 4.25	130,000	-	-	170,000
2017 4.40	140,000	-	-	185,000
2018 -	-	-	-	45,000
2019 -	-	-	-	50,000
2020 -	-	-	-	50,000
2021 -	-	-	-	55,000
2022 -	-	-	-	55,000
Total	\$ 860,000		\$ 50,000	1,435,000

Year Ending June 30	General Obligation			Total
	Loan Payable	Equipment Acquisition	Police Car Acquisition	
	Issued May 28, 2008	Issued Aug 11, 2009	Issued May 3, 2010	
Interest Rates	Amount	Interest Rates	Amount	
2011 0%	\$ 0	4.75%	\$ 20,134	20,981
2012 0	9,336	4.75	20,134	26,981
2013 0	9,337	4.75	20,134	26,982
2014 0	9,336	4.75	20,134	20,134
2015 0	9,337	-	-	-
2016 0	9,336	-	-	-
2017 0	9,337	-	-	-
2018 0	9,337	-	-	-
Total	\$ 65,356	\$ 80,536	\$ 20,542	101,078

(continued)

Schedule 3
(continued)

CITY OF ELKADER
BOND AND NOTE MATURITIES
June 30, 2010

	Revenue Notes				
	Water		Sewer		Wastewater Treatment Plant
Year Ending June 30,	Issued Mar 8, 2005	Issued Nov 2, 2006	Issued Dec 3, 2008		Total
	Interest Rates	Amount	Interest Rates	Amount	
2011	3.00%	\$ 83,000	3.00%	\$ 47,000	329,000
2012	3.00	85,000	3.00	48,000	339,000
2013	3.00	88,000	3.00	50,000	351,000
2014	3.00	91,000	3.00	51,000	362,000
2015	3.00	93,000	3.00	53,000	373,000
2016	3.00	96,000	3.00	54,000	384,000
2017	3.00	99,000	3.00	56,000	397,000
2018	3.00	102,000	3.00	58,000	409,000
2019	3.00	105,000	3.00	58,000	423,000
2020	3.00	108,000	3.00	60,000	435,000
2021	3.00	112,000	3.00	61,000	450,000
2022	3.00	115,000	3.00	63,000	464,000
2023	3.00	118,000	3.00	65,000	478,000
2024	3.00	122,000	3.00	67,000	493,000
2025	3.00	125,000	3.00	69,000	507,000
2026		-	3.00	71,000	519,000
2027		-	3.00	73,000	531,000
Total		\$ 1,542,000		\$ 75,000	\$ 6,207,241
				\$ 1,021,000	\$ 3,644,241
					\$ 6,207,241

See accompanying independent auditor's report.

CITY OF ELKADER
 SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION
 ALL GOVERNMENTAL FUNDS
 For the Last Two Years

	2010	2009
Receipts:		
Property tax	\$ 558,183	507,116
Tax increment financing	186,417	170,619
Other city tax	134,328	142,350
Licenses and permits	5,501	6,202
Use of money and property	19,447	14,122
Intergovernmental	1,695,913	1,048,706
Charges for service	292,788	232,435
Special assessments	460	2,158
Miscellaneous	233,422	186,140
Total	<u>\$ 3,126,459</u>	<u>2,309,848</u>
Disbursements:		
Operating:		
Public safety	\$ 995,992	1,208,410
Public works	564,285	373,278
Health and social services	2,930	-
Culture and recreation	330,154	320,933
Community and economic development	128,497	157,276
General government	153,448	154,674
Debt service	228,158	182,907
Capital projects	1,110,560	87,640
Total	<u>\$ 3,514,024</u>	<u>2,485,118</u>

See accompanying independent auditor's report.

CITY OF ELKADER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2010

Grantor/Program	CFDA Number	Agency Pass-through Number	Program Expenditures
Indirect:			
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grants/States Program and Non- entitlement Grants in Hawaii	14.228	08-WS-024 08-DRMH-020	\$ 435,415 180,021 <u>615,436</u>
Federal Highway Administration:			
Iowa Department of Transportation:			
ARRA-Highway Planning and Construction	20.205	ESL-9999(999)-75-82	<u>6,399</u>
U.S. Environmental Protection Agency			
Iowa Finance Authority:			
Capitalization Grants for Clean Water State Revolving Funds	66.458	SFR-C0100R	<u>1,318,508</u>
U.S. Department of Homeland Security			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Disaster Grants-Public Assistance (Presidentially Declared Dis- asters)	97.036	FEMA-1763-DR1A	<u>260,952</u>
Hazard Mitigation Grant (HMGP)	97.039	HMGP-DR-1763-0022-01	<u>797,015</u>
Total			<u>\$ 2,998,310</u>

(continued)

CITY OF ELKADER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2010

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Elkader and is presented in conformity with an other basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

Dietz, Donald & Company

CERTIFIED PUBLIC ACCOUNTANTS

STEVEN S. CLAUSEN, CPA

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Elkader, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated December 10, 2010. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City of Elkader's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Elkader's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Elkader's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there

is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Elkader's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Elkader's responses to findings in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City of Elkader's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of the City of Elkader and other parties to whom the City of Elkader may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Elkader during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Elkader, Iowa

Dietz, Donald & Company
Dietz, Donald & Company, CPAs
FEIN 42-1172392

December 10, 2010

Dietz, Donald & Company

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Honorable Mayor and
Members of the City Council:

Compliance

We have audited the compliance of the City of Elkader, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of the City of Elkader's major federal programs for the year ended June 30, 2010. The City of Elkader's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Elkader's management. Our responsibility is to express an opinion on the City of Elkader's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards, and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Elkader's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Elkader's compliance with those requirements.

In our opinion, the City of Elkader complied, in all material respects with the compliance requirements referred to about that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of the City of Elkader is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Elkader's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of the City of Elkader's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Elkader's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Elkader and other parties to whom the City of Elkader may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Elkader, Iowa

December 10, 2010

Dietz, Donald & Company
Dietz, Donald & Company, CPAs
FEIN 42-1172392

CITY OF ELKADER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010

Part I: Summary of the Independent Auditor's Results:

- (1) Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (2) No significant deficiencies in internal control were disclosed by the audit of the financial statements.
- (3) The audit did not disclose any noncompliance which is material to the financial statements.
- (4) No significant deficiencies in internal control over the major programs were disclosed by the audit of the financial statements.
- (5) An unqualified opinion was issued on compliance with requirements applicable to major programs.
- (6) The audit disclosed no findings that are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (7) The major programs were CFDA Number 14.228 - Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii, CFDA Number 66.458 - Capitalization Grants for Clean Water State Revolving Funds and CFDA Number 97.039 - Hazard Mitigation Grant (HMGP).
- (8) The dollar threshold used to distinguish between Type A and Type B programs was \$ 300,000.
- (9) The City of Elkader did not qualify as a low-risk auditee.

CITY OF ELKADER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010

Part II: Findings Related to the Financial Statements:

MATERIAL WEAKNESSES IN INTERNAL CONTROL:
No material weaknesses were identified.

INSTANCES OF NONCOMPLIANCE:
No matters were noted.

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:
No matters were noted.

MATERIAL WEAKNESSES:
No material weaknesses were identified.

CITY OF ELKADER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2010

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-10 **Certified Budget** - Disbursements during the year ended June 30, 2010, exceeded the amounts budgeted in the public safety, public works, culture and recreation, community and economic development, general government, and debt service functions. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The budget will be amended in the future, if applicable.

Conclusion - Response accepted.

- IV-B-10 **Questionable Disbursements** - No disbursements that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- IV-C-10 **Travel Expenses** - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- IV-D-10 **Business Transactions** - No business transactions between the City and City officials or employees were noted.
- IV-E-10 **Bond Coverage** - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- IV-F-10 **Council Minutes** - No transactions were found that we believe should have been approved in the Council minutes but were not.

IV-G-10 **Deposits and Investments** - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

IV-H-10 **Revenue Notes** - No instances of non-compliance with the revenue note resolutions were noted.

IV-I-10 **Library and Cemetery** - The City accounts for the transactions of the Library and Cemetery in the City's General Fund. However, the Library and Cemetery have separate savings accounts and time certificates of deposit that have not been accounted for or reported by the City in the City's financial statements and reports. We have, however, included these accounts in these financial statements.

Chapter 384.20 of the Code of Iowa states in part "a City shall keep accounts which show an accurate and detailed statement of all public funds collected, received or expended for any City purpose, by a City officer, employee or other person, and which shows the receipt, use, and disposition of all City property."

Recommendation - The City's Library and Cemetery should determine the status of the separate accounts for accountability and reporting purposes. If the Library and Cemetery wish to maintain custody and control over the separate accounts, they should be established as legally separate entities from the City, with Articles of Incorporation and by-laws. Otherwise the City should include these accounts in its records, in accordance with Chapter 384.20 of the Code of Iowa. Legal counsel should be consulted for assistance as necessary, to resolve this issue.

Response - A Library Foundation has been established and we have included Cemetery transactions in our 2010 Annual Financial Report.

Conclusion - Response accepted.